

Service Date: March 29, 1994

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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In the Matter of the Application  
of PACIFICORP for authority to  
issue and sell Debt and No Par  
Serial Preferred Stock in an  
amount not to exceed  
\$150,000,000.

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UTILITY DIVISION  
DOCKET NO. 94.3.13  
DEFAULT ORDER NO. 5780

On June 1, 1993, PacifiCorp (Company), a corporation organized and existing under and by virtue of the laws of the State of Oregon and qualified to transact business in Montana, filed with the Montana Public Service Commission its verified application, pursuant to §§ 69-3-501 through 69-3-507, MCA, requesting an order authorizing the Company to issue and sell, in one or more offerings, not later than December 31, 1994, (i) not more than \$150,000,000 of units (Purchase Units) consisting of fixed-rate unsecured debt and contracts to purchase fixed-rate No Par Serial Preferred Stock, or (ii) shares of its fixed-rate No Par Serial Preferred Stock, or (iii) a combination of Purchase Units and shares of No Par Serial Preferred Stock, provided that the aggregate preference on involuntary liquidation of the Preferred Stock issued or issuable hereunder not exceed \$150,000,000. On June 15, 1993, the Commission issued Default Order No. 5710 approving the Company's request.

On March 14, 1994, the Company filed an amending application requesting deletion of the authority to issue Purchase Units granted in Default Order No. 5710, and substituting for it authority to borrow certain funds, to guaranty certain obligations and

to assume certain liabilities, all in connection with a proposed issuance of fixed-rate preferred stock or equivalent by a newly created special purpose subsidiary (SPC).

The application is supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of the issuance of securities by electric and gas utility companies operating within Montana.

For detailed information with respect to the general character of the Company's business and the territories served by it, reference is made to its annual reports on file with the Commission.

The application sets forth Counsel who will pass upon the legality of the proposed issuance, the other regulatory authorizations required, and the propriety of the proposed issue.

At a regular open session of the Montana Public Service Commission held in its offices at 1701 Prospect Avenue, Helena, Montana, on March 28, 1994, there came before the Commission for final action the matters and things in Docket No. 94.3.13, and the Commission, having fully considered the application and all the data and records pertaining to it on file with the Commission and being fully advised in the premises, makes the following:

#### FINDINGS

1. The Company is a corporation organized and existing under and by virtue of the laws of the State of Oregon and is qualified to transact business in the State of Montana.

2. The Company is operating as a public utility as defined in § 69-3-101, MCA, and is engaged in furnishing electric service in Montana.

3. The Company was incorporated under Oregon law in August, 1987, for the purpose of facilitating consummation of a merger with Utah Power & Light Company, a Utah corporation, and changing the state of incorporation of PacifiCorp from Maine to Oregon. The Company uses the assumed business names of Pacific Power & Light Company and Utah Power & Light Company within their respective service territories located in the states of California, Idaho, Montana, Oregon, Utah, Washington and Wyoming.

4. The Commission has jurisdiction over the subject matter of the application under § 69-3-102, MCA.

5. Notice of the application was published as a part of the Commission's regular weekly agenda.

6. The Company proposes, from time to time not later than December 31, 1994, (i) to issue and sell shares of its fixed-rate No Par Serial Preferred Stock (Preferred Stock), or (ii) to borrow not to exceed \$190,000,000, guaranty obligations and assume liabilities, all in connection with the issuance by an SPC of not to exceed \$150,000,000 of fixed-rate preferred stock or equivalent, or (iii) to exercise both of such authorities, provided that the aggregate preference on involuntary liquidation of the preferred stock issued pursuant thereto not exceed \$150,000,000. If the SPC is organized as a limited liability company, references below to the "stock" or "shares" of the SPC are intended to include equivalent membership interests in the limited liability company.

7. In a transaction involving an SPC, the Company would organize the SPC and contribute not to exceed \$40,000,000 for all of its common shares. The SPC would issue shares of fixed-rate preferred stock with an aggregate preference on involuntary liquidation of not to exceed \$150,000,000. The SPC preferred shares are expected to

have a liquidation preference of \$25 per share, have cumulative dividends payable monthly and be listed on the NYSE.

8. The Company and the SPC would enter into a loan agreement pursuant to which the Company would borrow the proceeds of the issuance of the preferred shares by the SPC and the Company's capital contribution to the SPC, or an aggregate amount not to exceed \$190,000,000. Under the loan agreement, the Company will be obligated to pay monthly interest at a fixed rate that will be sufficient to permit timely payment of dividends on the preferred shares issued by the SPC and principal payments in amounts and at times sufficient to permit timely and full payment of all amounts payable by the SPC on liquidation or redemption of the preferred shares issued by the SPC. The obligations of the Company under the loan agreement will be directly enforceable by holders of the preferred shares of the SPC and subordinate to senior indebtedness of the Company, as defined. The loan would mature in 30-50 years.

9. The Company will also guarantee the SPC's payment of: (i) all legally declared unpaid dividends, (ii) all redemption payments to the extent of funds legally available therefor and (iii) in the event of liquidation, the lesser of (a) the liquidation preference plus accumulated unpaid dividends and (b) assets of the SPC legally available in liquidation to holders of the preferred shares issued by the SPC. The guarantee will be directly enforceable by holders of the preferred shares issued by the SPC and subordinate to all liabilities of the Company.

10. It is anticipated that the Company will be obligated under the terms of the loan agreement and the guarantee to make certain additional payments to the SPC in the event withholding or income taxes are imposed with respect to payments made pursuant to the preferred shares or on payments under the loan agreement or guarantee. It is also

anticipated that the Company and the SPC will enter into a liability assumption agreement pursuant to which the Company will agree to guarantee the payment of any liabilities incurred by the SPC, other than obligations to holders of the preferred shares.

11. ~~At~~ the event the Company chooses to issue its Preferred Stock, the number of shares will depend upon the assigned liquidation preference on involuntary liquidation, but the aggregate preference on involuntary liquidation of the Preferred Stock will not exceed \$150,000,000. The Preferred Stock will be issued pursuant to the Company's Restated Articles of Incorporation, as amended (Articles); will constitute one or more new series of a class of the Company's authorized preferred stock; will be entitled to cumulative dividends, redemption rights, liquidation preference rights and voting rights as determined by the Company following negotiations with the underwriters. Otherwise, the Preferred Stock will have the same rights, terms and characteristics as the outstanding series of the Company's No Par Serial Preferred Stock. These rights, terms and characteristics are set forth in the Company's Articles. Because the Preferred Stock is expected to be issued and sold primarily to retail investors, the Preferred Stock is expected to have a stated value of \$25 per share and be listed on the NYSE.

12. Offering costs are not expected to exceed 3.15%.

13. The results of the financings are expected to be:

ESTIMATED RESULTS OF THE FINANCINGS

	<u>Total</u>	<u>Per \$100</u>
Gross Proceeds*	\$150,000,000	\$100.00
Less: Underwriting Fees at Approximately 3.15%	<u>4,725,000</u>	<u>3.15</u>
Proceeds Payable to Company	145,275,000	96.85

Less: Other Issuance Expenses	<u>570,000</u>	<u>0.38</u>
Net Proceeds to Company	<u>\$144,705,000</u>	<u>\$ 96.47</u>

\*Represents issuance of Preferred Stock by the Company or amount borrowed from SPC net of capital contribution by the Company.

14. The net proceeds of the issuances will be used to acquire utility property, to construct, extend or improve its facilities, to improve or maintain its service or to reimburse its treasury for funds expended from income and from other treasury funds that were not derived from the issuance of securities and were used for the foregoing purposes (other than for maintenance of service or replacements). The expenditures to be reimbursed were made for a utility purpose. See § 69-3-501 MCA. To the extent that the funds to be reimbursed were used for the discharge or refunding of obligations, those obligations or their precedents were originally incurred in furtherance of a utility purpose.

15. The proposed issuances are part of an overall plan to finance the cost of the Company's facilities taking into consideration prudent capital ratios, earnings coverage tests and market uncertainties as to the relative merits of the various types of securities the Company could sell.

16. The issuance of an order authorizing the proposed financing does not constitute agency determination/approval of any issuance-related ratemaking issues which issues are expressly reserved until the appropriate proceeding.



CONCLUSIONS OF LAW

1. The proposed issuances to which the application relates will be for lawful objects within the corporate purposes of the Company. The method of financing is proper.

2. The application should be approved.

ORDER

IT IS THEREFORE ORDERED by the Commission that:

1. The application of PacifiCorp filed on March 14, 1994, for authority to issue shares of its fixed-rate No Par Serial Preferred Stock with an aggregate preference on involuntary liquidation of not to exceed \$150,000,000, pursuant to §§ 69-3-501 through 69-3-507, MCA, and to use the proceeds as described in the application, is approved.

2. The application of PacifiCorp to, from time to time not later than December 31, 1994, (i) borrow not to exceed \$190,000,000, (ii) guarantee obligations and (iii) assume liabilities, all in connection with the proposed issuance by a special purpose subsidiary of not to exceed \$150,000,000 of fixed-rate preferred stock or equivalent substantially as described in the Company's application is hereby approved.

3. PacifiCorp may exercise the separate authorities granted above or both of such authorities provided that the aggregate preference on involuntary liquidation of any Preferred Stock issued by PacifiCorp and any preferred stock or equivalent issued by a special purpose subsidiary not exceed \$150,000,000.

4. PacifiCorp shall file the following as they become available:

- a. The "Report of Securities Issued" required by 18 CFR 34.10.
- b. Verified copies of any agreement entered into in connection with any transaction pursuant to this Order.

c. A verified statement setting forth in reasonable detail the disposition of the proceeds of each offering made pursuant to the order.

5. Issuance of this Order does not constitute acceptance of PacifiCorp's exhibits or other material accompanying the application for any purpose other than the issuance of this Order.

6. Approval of the transaction authorized shall not be construed as precedent to prejudice any future action of this Commission.

7. Section 69-3-507, MCA, provides that neither the issuance of securities by PacifiCorp pursuant to the provisions of this Order, nor any other act or deed done or performed in connection with the issuance, shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized, issued, assumed, or guaranteed.

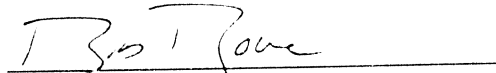
8. This Order shall be effective upon execution.


DONE IN OPEN SESSION at Helena, Montana, this 28th day of March, 1994, by a  
5 to 0 vote.




BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

  
BOB ANDERSON, Chairman


  
BOB ROWE, Vice Chairman

  
DAVE FISHER, Commissioner

  
NANCY McCAFFREE, Commissioner

  
DANNY OBERG, Commissioner

ATTEST:

  
Kathlene M. Anderson  
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.